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PROJECT COMPLETION REPORT

REPUBLIC OF KOREA

**ROAD IMPROVEMENT PROJECT
(LOAN 3061-KO)**

JUNE 28, 1995

**Infrastructure Operations Division
Country Department I
East Asia and Pacific Region**

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CURRENCY EQUIVALENTS

Currency Unit	=	Won (W)
US\$1.00	=	W700 (as of November, 1988)
US\$1.00	=	W780 (as of May 1993)

FISCAL YEAR

January 1 - December 31

MEASURES AND EQUIVALENTS

Metric System

ABBREVIATIONS

BPR	-	Bureau of Public Roads
MOF	-	Ministry of Finance
MOC	-	Ministry of Construction
MOHA	-	Ministry of Home Affairs
RMMS	-	Road Maintenance Management System

Office of Director-General
Operations Evaluation

June 28, 1995

MEMORANDUM TO THE EXECUTIVE DIRECTORS AND THE PRESIDENT

SUBJECT: Project Completion Report on Korea
Road Improvement Project (Loan 3061-KO)

Attached is the Project Completion Report (PCR) on the Korea: Road Improvement project (Loan 3061-KO, approved in FY89), prepared by the East Asia and Pacific Regional Office with Part II contributed by the Borrower. The Loan for US\$177.21 million equivalent was approved on May 16, 1989 and closed on December 31, 1993, at the date planned. Due to lower than expected costs, US\$22.9 million of the loan was canceled.

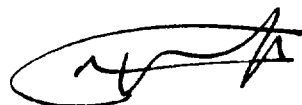
The loan was the seventh by the Bank to support the road system in Korea. The objectives were (a) to enhance transport efficiency by upgrading the surface and alignment of existing roads and by improving maintenance operations and management; (b) to expand traffic capacity by widening roads in corridors with high transport demand; and (c) to increase traffic safety through a number of measures: better design and design standards, new infrastructure work in hazardous locations, intersection improvements, improvements in traffic safety practices through the development of safety manuals, etc. The project also included land acquisition, consultant services for construction supervision, and acquisition of equipment for road maintenance. These were relevant but relatively modest objectives in view of Korea's stage of development.

The PCR gives an adequate account of project execution. There is, however, no information on supervision. This is an important omission because the Borrower did successfully manage resettlement and land acquisition in spite of an unexpected large increase in land prices and some resident opposition to land acquisition, including litigation in the courts by some residents. The Borrower managed the land acquisition successfully and, apparently, without lasting social harm. The factors that contributed to management success are of general interest to the Bank and should have been investigated or reported.

Although the appraisal dismissed the possible implementation delays and cost increases due to land acquisition because project components were located in suburban and rural areas, the Borrower, and especially, the implementing agency, had the skill to marshal the counterpart funds, mobilize staff, and utilize available legal processes to resolve the problem in a timely fashion.

The increased resettlement costs were largely offset by lower than estimated contracting costs. Higher than anticipated traffic volumes made the project's economic rate of return higher, from the estimated 27 percent to 30 percent. The outcome is rated as satisfactory, its sustainability as likely, and its impact on institutional development as modest.

No audit is planned.



Attachment

REPUBLIC OF KOREA
ROAD IMPROVEMENT PROJECT (LOAN 3061-KO)
PROJECT COMPLETION REPORT

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REPUBLIC OF KOREA
ROAD IMPROVEMENT PROJECT (LOAN 3061-KO)
PROJECT COMPLETION REPORT

Preface

This is the Project Completion Report (PCR) for the Road Improvement Project, for which Loan 3061-KO was approved on May 16, 1989 in the amount of US\$200 million. US\$15 million was canceled on January 28, 1993, and US\$7.79 million was canceled at the time of loan account closing on February 14, 1994.

The PCR was prepared by the Infrastructure Operations Division, Country Department I, East Asia and Pacific Region, as the last Bank Supervision Mission was carried out in April, 1993. The PCR's findings are based on a review of the documents in the project files at the World Bank and data provided by the Borrower.

REPUBLIC OF KOREA
ROAD IMPROVEMENT PROJECT (LOAN 3061-KO)
PROJECT COMPLETION REPORT

Evaluation Summary

Background and Objective

1. Since 1971, the Bank has supported the Government's initiatives in the highway subsector with financial and technical assistance through completion of seven highway and expressway projects. The Road Improvement Project was the sixth highway sector loan the Bank made, and was intended to support the Government's Sixth Plan (1987-91). The Bank has been involved in the development of the highway sector since the Government's Second Plan. Loan 3061-KO was signed on November 15, 1989; was effective on February 6, 1990; and closed on December 31, 1993. The executing agency was the Bureau of Public Roads (BPR) of the Ministry of Construction (MOC).

2. The project was designed to support the Government's Sixth Plan, to complete some initiatives begun under previous Bank-assisted projects and to help to increase transport capacity during the Sixth Plan period (1987-91) by supporting three principal road-related Government objectives: (a) enhancing transport efficiency by upgrading the surface and alignment of existing roads and by improving road maintenance and operations; (b) expanding traffic capacity by widening roads in corridors with high transport demand; and (c) increasing traffic safety through a number of measures, including safety-conscious design of project facilities, modification of design standards and practices, where appropriate, and physical improvement of known hazardous road locations.

3. The major components of the project were:

- (a) paving, upgrading and widening of about 270 km of the national road system;
- (b) establishment of a new Road Maintenance Management System (RMMS), including periodic maintenance and rehabilitation of about 700 km of paved national roads;
- (c) implementation of selected aspects of the national road safety program, including safety-conscious road design, a hazardous location improvement program and preparation of road safety guidelines; and
- (d) the provision of equipment, consultants' services, and training for road sector development.

4. The project was comprised of timely and well justified components and while it focused largely on physical aspects, it also included institutional strengthening in maintenance management and road safety, which were intended to complete some initiatives begun under previous Bank-assisted projects. All of these components were well designed to support Sixth Plan objectives.

5. The project was based on a clear conceptual understanding of the requirements by all parties and was well designed by the Borrower and the Bank. While not overly ambitious in terms of focusing on institutional strengthening components like environment and resettlement, which were already of great concern to the Bank at the time of appraisal in 1988, the scope and scale of the project were

